

ORIGINAL

OPEN MEETING



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MEMORANDUM

Arizona Corporation Commission

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TO: THE COMMISSION

FROM: Utilities Division

DATE: February 17, 2010

DOCKETED BY

ARIZONA CORPORATION COMMISSION
DOCKET CONTROL

RE: DUNCAN VALLEY ELECTRIC COOPERATIVE, INC. - APPLICATION FOR APPROVAL OF A NET METERING TARIFF (DOCKET NO. E-01703A-09-0448)

Background

On September 18, 2009, Duncan Valley Electric Cooperative, Inc. ("Duncan" or "Co-op") filed an application for approval of a Net Metering Tariff, Schedule NM. As stated in R14-2-2307 of the Net Metering Rules ("Rules"), "Each Electric Utility shall file, for approval by the Commission, a Net Metering tariff within 120 days from the effective date of these rules" and "The Net Metering tariff shall specify standard rates for annual purchases of remaining credits from Net Metering Facilities." Duncan's proposed Schedule NM is meant to comply with the Rules which became effective May 23, 2009.

Net Metering allows electric utility consumers to be compensated for generating their own energy from renewable resources, fuel cells, or Combined Heat and Power (i.e., co-generation).

Proposed Tariff

Duncan's proposed Schedule NM would apply to customers with any type of on-site generation using resources allowed by the Net Metering Rules, and would work in conjunction with the rate schedule from which the customer currently takes service. The proposed Schedule NM follows the Net Metering Rules with respect to eligibility, metering, billing, and disposition of excess customer generation.

Partial requirements service is necessary for customers such as Net Metering customers who provide either all or a portion of their own generation. If the self-generation supplies less than 100 percent of the customer's load, utility generation must be purchased for the remainder. Even if the customer's generation is sufficient to serve the full load, utility service is needed as back-up during maintenance or other outage circumstances of the customer's generation.

Duncan's Schedule NM would provide for power sales beyond what the customer's on-site facilities supply, as well as replacement power if the on-site generation is out of service for maintenance or due to a forced outage. Charges under Schedule NM would be priced pursuant to the customer's standard rate schedule otherwise applicable under full requirements service. This would avoid additional charges such as standby or back-up charges.

In addition to any charges billed under the standard rate schedule, Duncan proposes an Administrative Charge of \$10.00 per month to be charged for the additional meter reading, billing,

and software upgrade costs associated with the provision of this service. Duncan must calculate net metering bills manually, and has provided labor cost data in support of the additional charge. However, Duncan has not demonstrated that these billing costs are new or incremental to Net Metering. Therefore, Staff does not recommend the approval of the additional \$10 per month customer charge.

Also, as the Rules require, if the customer's generation facility's energy production exceeds the energy supplied by the Co-op during a billing period, the customer's bill for subsequent billing periods would be credited for the excess generation. That is, the excess kWh during the billing period would be used to reduce the kWhs (not kW or kVA demand, or customer/facilities charges) billed by the Co-op during subsequent billing periods. Customers taking service under a time-of-use rate would receive such credit in subsequent billing periods for the on-peak, shoulder, or off-peak periods in which the kWhs were generated by the customer.

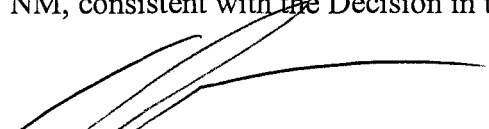
The Co-op would install a bi-directional meter at the point of delivery to the customer. Duncan proposes the incremental cost of the additional metering would be the responsibility of the customer as an up-front payment. Staff recommends that customers not be charged these up-front costs because the Co-op has not specified the amount of the metering charge nor supplied support as required by the Rules at R14-2-2305(A).

At the end of each twelve months ending December 31 (or for a customer's final bill upon discontinuance of service), Duncan would credit the customer for the balance of excess kWhs remaining. The payment for the purchase of these excess kWhs would be at the Co-op's average annual avoided cost. Duncan proposes that its avoided cost for the billing credit be equal to the average annual wholesale fuel and energy costs per kWh charged by the Co-op's wholesale power supplier(s), which has been provided to Staff and currently equals 4.529¢ per kWh. Since R14-2-2306 (F) requires the avoided costs to be specified on the net metering tariff, Staff recommends that Duncan specify this avoided cost rate of 4.529¢ per kWh in its tariff.

Staff Recommendations

Staff recommends that Duncan's Net Metering Tariff, Schedule NM, be approved by the Commission as amended herein.

Staff also recommends that Duncan be ordered to file a revised Net Metering Tariff, Schedule NM, consistent with the Decision in this case within 15 days of the effective date.



Steven M. Olea
Director
Utilities Division

SMO:JJP:lh\CH

ORIGINATOR: Jeffrey Pasquinelli

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 KRISTIN K. MAYES

Chairman

3 GARY PIERCE

Commissioner

4 SANDRA D. KENNEDY

Commissioner

5 PAUL NEWMAN

Commissioner

6 BOB STUMP

Commissioner

7
8 IN THE MATTER OF DUNCAN VALLEY)
ELECTRIC COOPERATIVE, INC.'S)
9 APPLICATION FOR APPROVAL OF A NET)
10 METERING TARIFF)
11)
12)

DOCKET NO. E-01703A-09-0448

DECISION NO. _____

ORDER

12 Open Meeting
March 2 and 3, 2010
13 Phoenix, Arizona

14 BY THE COMMISSION:

15 FINDINGS OF FACT

16 1. Duncan Valley Electric Cooperative, Inc. ("Duncan" or "Co-op") is certificated to
17 provide electric service as a public service corporation in the State of Arizona.

18 2. On September 18, 2009, Duncan filed an application for approval of a Net Metering
19 Tariff, Schedule NM. As stated in R14-2-2307 of the Net Metering Rules ("Rules"), "Each
20 Electric Utility shall file, for approval by the Commission, a Net Metering tariff within 120 days
21 from the effective date of these rules" and "The Net Metering tariff shall specify standard rates for
22 annual purchases of remaining credits from Net Metering Facilities." Duncan's proposed
23 Schedule NM is meant to comply with the Rules which became effective May 23, 2009.

24 Proposed Tariff

25 3. Duncan's proposed Schedule NM would apply to customers with any type of on-
26 site generation using resources allowed by the Net Metering Rules, and would work in conjunction
27 with the rate schedule from which the customer currently takes service. The proposed Schedule

28 ...

1 NM follows the Net Metering Rules with respect to eligibility, metering, billing, and disposition of
2 excess customer generation.

3 4. Net Metering allows electric utility consumers to be compensated for generating
4 their own energy from renewable resources, fuel cells, or Combined Heat and Power (i.e., co-
5 generation).

6 5. Partial requirements service is necessary for customers such as Net Metering
7 customers who provide either all or a portion of their own generation. If the self-generation
8 supplies less than 100 percent of the customer's load, utility generation must be purchased for the
9 remainder. Even if the customer's generation is sufficient to serve the full load, utility service is
10 needed as back-up during maintenance or other outage circumstances of the customer's generation

11 6. Duncan's Schedule NM would provide for power sales beyond what the customer's
12 on-site facilities supply, as well as replacement power if the on-site generation is out of service for
13 maintenance or due to a forced outage. Charges under Schedule NM would be priced pursuant to
14 the customer's standard rate schedule otherwise applicable under full requirements service. This
15 would avoid additional charges such as standby or back-up charges.

16 7. In addition to any charges billed under the standard rate schedule, Duncan proposes
17 an Administrative Charge of \$10.00 per month to be charged for the additional meter reading,
18 billing, and software upgrade costs associated with the provision of this service. Duncan must
19 calculate net metering bills manually, and has provided labor cost data in support of the additional
20 charge. However, Duncan has not demonstrated that these billing costs are new or incremental to
21 Net Metering. Therefore, Staff does not recommend the approval of the additional \$10 per month
22 customer charge.

23 8. Also, as the Rules require, if the customer's generation facility's energy production
24 exceeds the energy supplied by the Co-op during a billing period, the customer's bill for
25 subsequent billing periods would be credited for the excess generation. That is, the excess kWh
26 during the billing period would be used to reduce the kWhs (not kW or kVA demand, or
27 customer/facilities charges) billed by the Co-op during subsequent billing periods. Customers

28 ...

1 taking service under a time-of-use rate would receive such credit in subsequent billing periods for
2 the on-peak, shoulder, or off-peak periods in which the kWhs were generated by the customer.

3 9. The Co-op would install a bi-directional meter at the point of delivery to the
4 customer. Duncan proposes the incremental cost of the additional metering would be the
5 responsibility of the customer as an up-front payment. Staff recommends that customers not be
6 charged these up-front costs because the Co-op has not specified the amount of the metering
7 charge nor supplied support as required by the Rules at R14-2-2305(A).

8 10. At the end of each twelve months ending December 31 (or for a customer's final
9 bill upon discontinuance of service), Duncan would credit the customer for the balance of excess
10 kWhs remaining. The payment for the purchase of these excess kWhs would be at the Co-op's
11 average annual avoided cost. Duncan proposes that its avoided cost for the billing credit be equal
12 to the average annual wholesale fuel and energy costs per kWh charged by the Co-op's wholesale
13 power supplier(s), which has been provided to Staff and currently equals 4.529¢ per kWh. Since
14 R14-2-2306 (F) requires the avoided costs to be specified on the net metering tariff, Staff
15 recommends that Duncan specify this avoided cost rate of 4.529¢ per kWh in its tariff.

16 **Staff Recommendations**

17 11. Staff has recommended that Duncan's Net Metering Tariff, Schedule NM, be
18 approved by the Commission as amended herein.

19 12. Staff also has recommended that Duncan be ordered to file a revised Net Metering
20 Tariff, Schedule NM, consistent with this Decision in this case within 15 days of the effective date.

21 **CONCLUSIONS OF LAW**

22 1. Duncan is an Arizona public service corporation within the meaning of Article XV,
23 Section 2, of the Arizona Constitution.

24 2. The Commission has jurisdiction over Duncan and over the subject matter of the
25 application.

26 3. Approval of Schedule NM does not constitute a rate increase as contemplated by
27 A.R.S. Section 40-250.

28 ...

4. The Commission, having reviewed the application and Staff's Memorandum dated February 17, 2010, concludes that Schedule NM should be approved as discussed herein.

ORDER

IT IS THEREFORE ORDERED that the Duncan Valley Electric Cooperative, Inc. Net Metering Tariff, Schedule NM, be and hereby is approved as discussed herein.

IT IS FURTHER ORDERED that Duncan Valley Electric Cooperative, Inc. should file a revised tariff consistent with this Decision within 15 days of the effective date of this Decision.

IT IS FURTHER ORDERED that this Decision shall become effective immediately.

BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION

CHAIRMAN

COMMISSIONER

COMMISSIONER

COMMISSIONER

COMMISSIONER

IN WITNESS WHEREOF, I, ERNEST G. JOHNSON, Executive Director of the Arizona Corporation Commission, have hereunto, set my hand and caused the official seal of this Commission to be affixed at the Capitol, in the City of Phoenix, this _____ day of _____, 2010.

ERNEST G. JOHNSON
EXECUTIVE DIRECTOR

DISSENT: _____

DISSENT: _____

SMO:JJP:lh\CH

Decision No. _____

1 SERVICE LIST FOR: Duncan Valley Electric Cooperative, Inc.
2 DOCKET NO. E-01703A-09-0448

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4 Grand Canyon State Electric
5 Cooperative Association, Inc.
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7 Phoenix, Arizona 85034

8 Mr. Steven M. Olea
9 Director, Utilities Division
10 Arizona Corporation Commission
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13 Ms. Janice M. Alward
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